

**PERRY AREA FIRE RESCUE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>PERRY AREA FIRE RESCUE</b>	County <b>SHIAWASSEE</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>1/20/06</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>DEMIS &amp; WENZLICK P.C.</b>			
Street Address <b>217 N WASHINGTON ST</b>	City <b>OWOSSO</b>	State <b>MI</b>	ZIP <b>48867</b>
Accountant Signature <i>Paul Wenzlick, CPA</i>		Date <i>2/1/06</i>	



# DEMIS and WENZLICK, P.C.

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

Perry Area Fire Rescue  
Shiawassee County, Michigan

We have audited the general-purpose financial statements of the Perry Area Fire Rescue, as of and for the period ended December 31, 2004. These general-purpose financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and change in financial position of its governmental activities as required by Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

The general-purpose financial statements referred to above do not include general fixed asset account group. The amount that should be recorded in the general fixed assets account group is not known.

The Perry Volunteer Fireman's Association raises funds for the purchase of equipment that will be used by the Perry Area Fire Rescue. The financial transactions of this association were not available for this audit, and are excluded from this report.

In our opinion, except for the non application of GASB 34 and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to test the association and for the fixed asset group of accounts, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Perry Area Fire Rescue, as of December 31, 2004, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our report of comments and recommendations has been submitted under separate cover dated January 20, 2006.

*Dennis and Wenzel, PC*

Certified Public Accountants

Owosso, Michigan  
January 20, 2006

PERRY AREA FIRE RESCUE  
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>ACCOUNT GROUP</u>
	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>LONG-TERM DEBT</u>
<u>ASSETS AND OTHER DEBITS</u>			
ASSETS:			
Cash	\$15,887	\$44,785	\$
Prepaid Insurance	2,181		
Fire Protection Receivable	16,800		
Amount to be Provided			<u>244,290</u>
TOTAL ASSETS AND OTHER			
DEBITS	<u>\$34,868</u>	<u>\$44,785</u>	<u>\$244,290</u>
<u>LIABILITIES AND OTHER CREDITS</u>			
LIABILITIES:			
Accrued Retirement	\$ 3,903	\$	\$
Accrued Int. Payable		2,880	
Accounts Payable	12,374	4,450	
Wages Payable	15,212	-0-	
Accrued Lease Payable		<u>5,684</u>	
TOTAL LIABILITIES	<u>\$31,489</u>	<u>\$13,014</u>	<u>\$ -0-</u>
LONG-TERM DEBT	\$	\$	\$244,290
EQUITY:			
Fund Balances	<u>3,379</u>	<u>31,771</u>	<u>-0-</u>
TOTAL EQUITY	<u>\$ 3,379</u>	<u>\$31,771</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND			
EQUITY	<u>\$34,868</u>	<u>\$44,785</u>	<u>\$244,290</u>

The notes to the financial statements are  
integral part of this statement.

PERRY AREA FIRE RESCUE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
FOR THE PERIOD YEAR ENDED  
DECEMBER 31, 2004

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>
REVENUES:		
Cost Recovery Program	\$ 6,420	\$
Governmental Units	173,460	
Interest Income	54	222
Miscellaneous Income	<u>852</u>	
TOTAL REVENUES	\$180,786	\$ 222
EXPENDITURES:		
Wages - Firefighters	\$ 31,039	\$
Wages - Officers	15,136	
Retirement	3,903	
Payroll Taxes	1,126	
Insurance	17,424	
Interest Expense	376	12,089
Maintenance & Supplies	15,873	
Fuel	1,935	
Telephone	1,849	
Utilities	4,901	
Community Education	1,021	
Medical Fees	3,631	
Training, Instr, Dues	3,062	
Professional Fees	4,500	
Office Expenses	1,617	66
Long-Term Debt Principal	7,580	22,424
Fixed Assets	<u>16,218</u>	<u>9,415</u>
TOTAL EXPENDITURES	\$131,191	\$ 43,994
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		
	\$ 49,595	\$ 43,772
OTHER FINANCING SOURCES (USES):		
Operating Transfers In	\$	\$ 46,440
Operating Transfers Out	<u>(46,440)</u>	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES		
	\$ 3,155	\$ 2,668
Fund Balances - Beginning of Year	<u>224</u>	<u>29,103</u>
FUND BALANCES - END OF YEAR	\$ <u>3,379</u>	\$ <u>31,771</u>

The notes to the financial statements are an  
integral part of this statement.

PERRY AREA FIRE RESCUE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE PERIOD YEAR ENDED DECEMBER 31, 2004

	<u>GENERAL FUND</u>			<u>CAPITAL PROJECTS FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
REVENUES:						
Cost Recovery Program	\$ -0-	\$ 6,420	\$ (6,420)	\$ -0-	\$ -0-	\$ -0-
Gov't Units	154,550	173,460	(18,910)	-0-	-0-	-0-
Interest Income	-0-	54	(54)	-0-	222	(222)
Misc. Income	<u>9,422</u>	<u>852</u>	<u>8,570</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL REVENUES	\$163,972	\$180,786	\$ (16,814)	\$ -0-	\$ 222	\$ (222)
EXPENDITURES:						
Wages-Fire	\$ 28,190	\$ 31,039	\$ (2,849)	\$ -0-	\$ -0-	\$ -0-
Wages-Officers	16,140	15,136	1,004			
Miscellaneous	3,875	-0-	3,875			
Payroll Taxes	-0-	1,126	(1,126)			
Insurance	18,640	17,424	1,216			
Interest Exp.	-0-	376	(376)	-0-	12,089	(12,089)
Maint. & Supp.	14,875	15,873	(998)			
Fuel	2,075	1,935	140			
Telephone	1,875	1,849	26			
Utilities	4,875	4,901	(26)			
Community Ed.	-0-	1,021	(1,021)			
Medical Fees	3,335	3,631	(296)			
Training, Instr.	4,065	3,062	1,003			
Prof. Fees	1,500	4,500	(3,000)			
Office Expenses	1,725	1,617	108		66	(66)
Long-Term Debt Principal	-0-	7,580	(7,580)	-0-	22,424	(22,424)
Fixed Assets	<u>17,800</u>	<u>16,218</u>	<u>1,582</u>	<u>-0-</u>	<u>(9,415)</u>	<u>(9,415)</u>
TOTAL EXPEND.	\$118,970	\$127,288	\$ (8,318)	\$ -0-	\$ 43,994	\$ (43,994)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	\$ 45,002	\$ 53,498	\$ (8,496)	\$ -0-	\$ 43,772	\$ (43,772)
OTHER FINANCING SOURCES:						
Transfers In	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 43,772	\$ (43,772)
Transfers Out	<u>(45,000)</u>	<u>(46,440)</u>	<u>1,440</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES						
	\$ <u>2</u>	\$ 7,058	\$ (7,056)	\$ <u>-0-</u>	\$ 2,668	\$ (2,668)
Fund Balances-Beg. Of Year	<u>224</u>				<u>29,103</u>	
FUND BALANCES-END OF YEAR	\$ <u>7,282</u>				\$ <u>31,771</u>	

The accompanying notes are an integral part of this statement.

PERRY AREA FIRE RESCUE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The organization was formed May 19, 1992, by the City of Perry and Township of Perry, Shiawassee County. Other units of government were subsequently added to the governing board of the organization.

The organization was formed pursuant to authority granted under P.A. 7 of 1967, the stated purpose of which is to provide fire protection for the residents of the units of government.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The government has the following fund types and account groups:

GOVERNMENTAL FUNDS

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CAPITAL PROJECTS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.



PERRY AREA FIRE RESCUE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The general long-term debt account group is used to establish accounting control and accountability for the unmatured principal on the organization's long-term debt.

DEPOSITS AND INVESTMENTS

The organization's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

INVENTORIES AND PREPAID ITEMS

The costs of governmental fund-type inventories and certain payments to vendors are recorded as expenditures when purchased, with the exception of insurance premiums.

COMPENSATED ABSENCES

There are no compensated absences.

BUDGETS AND BUDGETARY ACCOUNTING

The organization follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the treasurer submits to the Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budgets are approved by each of the controlling units of government.
3. Prior to April 1, the budget is legally enacted through Board approval.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PERRY AREA FIRE RESCUE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Organization includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the organization. Control by or dependence on the organization was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the organization to finance any deficits that may occur or receipt of significant subsidies from the organization.

The Perry Volunteer Fireman's Association raises funds for the purchase of equipment that will be used by the Perry Area Fire Rescue. The financial transactions of this association were not available for this audit, and are not included in this report.

The Perry Area Fire Rescue is considered a component unit of the City of Perry, Michigan, for financial accounting and reporting purposes. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board (GASB). The financial reporting entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the City and the component unit; fiscal independence of the unit; whether exclusion of the unit would make the City's financial statements misleading; and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

FIXED ASSETS

Fixed assets used in governmental fund types of the organization are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated cost by the units of government. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The organization does not account for its fixed assets.

PERRY AREA FIRE RESCUE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
P.A. 621 of 1978, Section 18 (1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the organizations actual expenses and budgeted expenses of the budgetary funds reflect where the actual expenses exceed budgeted amounts. The over expenditure was funded by revenues in excess of budgeted amounts and available fund balance.

NOTE C - CASH

The Organizations deposits consist of interest bearing savings and checking accounts. At year end, the bank balance was essentially the same as the carrying value.

The Organization's deposits consisted of cash at two financial institutions.

<u>INSTITUTION A</u>	<u>AMOUNT</u>	<u>FDIC INSURED</u>	<u>UNINSURED</u>
Cash - Checking	<u>\$15,887</u>	<u>\$15,687</u>	<u>\$ 200</u>
 <u>INSTITUTION B</u>			
Cash - Checking	<u>\$47,785</u>	<u>\$44,785</u>	<u>\$ -0-</u>

PERRY AREA FIRE RESCUE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE D - LONG-TERM DEBT

The organization borrowed \$324,096 October 2000, for the purpose of purchasing a new fire truck with a cost of \$384,096. The loan is payable with interest at 6.89% per annum and is secured by the fire truck.

<u>YEAR</u>	<u>PAYMENT</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2005	\$46,018	\$14,274	\$ 31,744
2006	46,018	12,030	33,988
2007	46,018	9,627	36,391
2008	46,018	7,054	38,964
2009	46,018	4,300	41,718
2010	<u>37,453</u>	<u>1,350</u>	<u>36,103</u>
TOTALS	<u>\$267,543</u>	<u>\$ 48,635</u>	<u>\$218,908</u>

NOTE E - NOTES PAYABLE

The organization acquired a 4 year note on August 8, 2004 for \$38,000. It is payable to Chemical Bank in monthly installments of \$884.00 with an interest rate of 5.5% annually. It is secured by turn-out gear.

<u>YEAR</u>	<u>PAYMENT</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2005	\$ 10,608	\$ 1,160	\$ 9,448
2006	10,608	628	9,980
2007	<u>6,058</u>	<u>104</u>	<u>5,954</u>
TOTALS	<u>\$ 27,274</u>	<u>\$ 1,892</u>	<u>\$ 25,382</u>

PERRY AREA FIRE RESCUE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE F - SOURCES OF REVENUES

The organization is financed with contracts with local units of government as follows:

	PERIOD ENDING <u>DECEMBER 31, 2004</u>
Antrim Township	\$ 21,304
Bennington Township	26,698
NIESA	7,700
Perry Township	71,066
City of Perry	<u>46,692</u>
	<u>\$173,460</u>

In addition, during the period ended December 31, 2004, they received grant money for the purpose of purchasing fixed assets. They received reimbursements from third party insurance companies for fire costs.

NOTE G- PENSION

The organization established a pension for employees March 1, 1993. The organization contributes 7.5% of the employees salary. The organization did not contribute during the period April 1, 2004 thru December 31, 2004. \$4,257.33 was paid by SSES February 2005.

NOTE G - REORGANIZATION

As of January 1, 2005 the Southwest Shiawassee Emergency Services Alliance (SSES) took over the operation of the Perry Area Fire Rescue. Perry Area Fire Rescue is a component unit of the City of Perry. The City of Perry and the Township of Perry have entered into Emergency Services Agreements that transfer all property and personnel of Perry Area Fire Rescue to SSES. SSES accepted the existing contracts between Antrim Township and Bennington Township for the duration of the current terms. SSES succeeds all rights and assumes all obligations, policies, taxpayer ID numbers, governmental registrations, unemployment insurance and tax accounts, licenses and contracts.

NOTE H - SHORT ACCOUNTING PERIOD.

Financial statements represent nine months operations.